

SENATE BILL NO. 316

INTRODUCED BY E. STONINGTON

BY REQUEST OF THE STATE AUDITOR

A BILL FOR AN ACT ENTITLED: "AN ACT ALLOWING A 5-YEAR TAX CREDIT FOR CERTAIN EMPLOYERS WHO MAKE A HEALTH BENEFIT PLAN AVAILABLE TO THEIR EMPLOYEES; BASING THE CREDIT ON PREMIUM PAYMENTS PAID BY THE EMPLOYER FOR THE BENEFIT OF EMPLOYEES; PROVIDING LIMITATIONS ON THE CREDIT; PROVIDING THAT THE CREDIT MAY BE REFUNDED OR CARRIED FORWARD; AND PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A RETROACTIVE APPLICABILITY DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. Section 1. Tax credits for contributions to employee health benefit plans for certain employers -- limitations. (1) An individual, partnership, small business corporation, as defined in 15-31-201, or a limited liability company, as defined in 35-8-102, is allowed a tax credit for a 5-year period against taxes imposed by 15-30-103 or 15-31-101 for the amount of premiums for a health benefit plan issued pursuant to Title 33, chapter 22, part 18, paid by the taxpayer for the benefit of the taxpayer's employees, subject to the conditions of subsections (2) and (3).

(2) The credit is available only to employers who:

(a) have not provided employee health care benefits for the 2 tax years immediately preceding the first tax year in which the credit is claimed; and

(b) employ at least two, but not more than nine, eligible employees. For the purposes of this subsection (2)(b), "eligible employee" has the same meaning as provided in 33-22-1803.

(3) An employer is entitled to a tax credit for a maximum of nine eligible employees, computed as follows:

(a) the credit in the first tax year is an amount equal to 50% of premium payments not in excess of \$200 paid for the benefit of each employee in each month of the tax year;

(b) the credit in the second tax year is an amount equal to 35% of premium payments not in

1 excess of \$200 paid for the benefit of each employee in each month of the tax year;

2 (c) the credit in the third tax year is an amount equal to 25% of premium payments not in excess
3 of \$200 paid for the benefit of each employee in each month of the tax year;

4 (d) the credit in the fourth tax year is an amount equal to 25% of the premium payments not in
5 excess of \$200 paid for the benefit of each employee in each month of the tax year; and

6 (e) the credit in the fifth tax year is an amount equal to 25% of the premium payments not in
7 excess of \$200 paid for the benefit of each employee in each month of the tax year.

8 (4) If the amount of the credit exceeds the employer's tax liability for the tax year, the amount
9 may be refunded or carried forward for deduction from the employer's tax liability in the next succeeding
10 tax year or years until the total amount of the credit is deducted from tax liability. A tax credit may not
11 be refunded or carried forward after the sixth tax year.

12 (5) If the credit allowed under this section is claimed, the amount of any deduction allowed or
13 allowable under this chapter for the amount that qualifies for the credit must be reduced by the dollar
14 amount of the credit allowed.

15 (6) If health benefit plan payments paid for the benefit of employees are claimed as a credit under
16 this section by a small business corporation, a partnership, or a limited liability company, the credit must
17 be attributed to shareholders, partners, or members or managers of a limited liability company in the same
18 proportion used to report the corporation's, partnership's, or limited liability company's income or loss for
19 Montana income tax purposes.

20

21 NEW SECTION. **Section 2. Codification instruction.** (1) [Section 1] is intended to be codified as
22 an integral part of Title 15, chapter 30, part 1, and the provisions of Title 15, chapter 30, part 1, apply
23 to [section 2].

24

25 NEW SECTION. **Section 3. Effective date.** [This act] is effective on passage and approval.

26

27 NEW SECTION. **Section 4. Retroactive applicability.** [This act] applies retroactively, within the
28 meaning of 1-2-109, to tax years beginning after December 31, 2000.

29

- END -